

## Message Text

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73

ACTION NEA-09

INFO OCT-01 EA-06 ISO-00 AID-05 TRSE-00 OMB-01 EB-07

CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 /073 W

----- 112160

R 040900Z APR 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9468

INFO AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

LIMITED OFFICIAL USE KUALA LUMPUR 1802

E.O. 11652: N/A

TAGS: EAID, EFIN, EINV, MY

SUBJECT: KUWAIT FUND VISIT TO MALAYSIA

REF: KUWAIT 0675

1. KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT MISSION, HEADED BY FUND SECRETARY GENERAL ABDLATIF YOUSEF AL-HAMAD, VISITED MALAYSIA MARCH 17 TO 23 AS FOLLOWUP TO PM'S JANUARY VISIT TO KUWAIT. AGREEMENT REACHED FOR FUND LOAN OF US DOLS 27 MILLION FOR FELDA AGRICULTURAL DEVELOPMENT SCHEME AT PALONG, NEGRI SEMBILAN. INTEREST IS FOUR PERCENT, WITH PERHAPS ADDITIONAL ONE-HALF PERCENT SERVICE CHARGE. OTHER TERMS NOT YET KNOWN. AGREEMENT MUST BE APPROVED BY FUND BOARD BUT THIS EXPECTED TO BE FORTHCOMING. FUND EXPECTED TO SEND OTHER MISSIONS TO MALAYSIA TO CONSIDER ADDITIONAL PROJECTS TO UTILIZE REMAINING US DOLS 73 MILLION OF US DOLS 100 MILLION TOTAL WHICH WAS UNDERTAKING BY FUND TO PM DURING JANUARY VISIT.

2. OF INTEREST IS FUND PHILOSOPHY, AS STATED BY PRIN-  
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CIPAL MALAYSIAN NEGOTIATOR, THAT FUND WISHES ITS RE-

SOURCES TO BE FOR EXCLUSIVE BENEFIT OF RECIPIENT COUNTRY AND NOT PASSED ON BY RECIPIENT AS PAYMENT FOR CAPITAL IMPORTS FROM INDUSTRIALIZED COUNTRY. FUND OF VIEW THAT SUCH IMPORTS SHOULD BE FINANCED BY EXPORTING COUNTRY. AGRICULTURAL PROJECTS THEREFORE REPORTED TO BE VERY ATTRACTIVE TO FUND.

3. COMMENT: NOT SURPRISINGLY, FUND MISSION WELL RECEIVED BY GOM, INCLUDING CALLS ON PM, DEPUTY PM AND CENTRAL BANK GOVERNOR. FUND PERCEPTION OF AGRICULTURAL PROJECTS INDICATES REASONABLE PROSPECT OF FUND AND GOM REACHING AGREEMENT ON UTILIZATION OF US DOLS 73 MILLION BALANCE SINCE THIS TYPE PROJECT IS MALAYSIA'S STRONG SUIT. EXPECTATION OF NOTABLE DEFICIT ON TRADE ACCOUNT DURING 1975 PROVIDES SPECIAL INCENTIVE FOR GOM TO INCREASE CAPITAL INFLOWS FROM TRADITIONAL SOURCES SUCH AS IBRD AND ADB AND TO TAP NEW AND UNDER-UTILIZED SOURCES SUCH AS KUWAIT FUND AND COMMERCIAL MARKET. IN THIS REGARD, WE UNDERSTAND THAT TOTAL UNDERTAKING IN PRINCIPLE BY MIDDLE EAST COUNTRIES VISITED BY PM IN JANUARY IS ABOUT US DOLS 400 MILLION OF WHICH US DOLS 100 MILLION BY FUND AND US DOLS 200 MILLION BY SAUDI ARABIA ARE PRIMARY COMPONENTS. PRESUMABLY GOM WILL BE ATTEMPTING TO REALIZE ACTUAL AGREEMENTS FROM THESE UNDERTAKINGS.  
UNDERHILL

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## Message Attributes

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